

Contagious Economic Failure?

Discourses Around Zombie Firms in COVID-19-Ridden Germany and Italy

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If one walked the streets of German cities on the night of January 31, 2021, they could not fail to notice: of the 80,000 barbershops across the country, many were brightly lit that night. In a moment of public protest, organized around the slogan “Lights on—before it turns dark forever” (Henning 2021),¹ shop owners were protesting against the government-decreed shutdown of their stores, arguing that mandatory business closures had brought them to the brink of bankruptcy. A palpable sense of loss was in the air: a loss of clients and employees, as well as of the future of one’s business. In fact, Germany’s largest barber chain, Klier, which maintained about 1,350 shops and employed about 9,000 people around the country, had announced insolvency just a few weeks earlier, in December 2020. Earlier in January 2021, in Italy, restaurant owners joined square protests following the hashtag #ioApro (Masi et al. 2021), threatening to remain open despite the lockdown decree. According to a survey by FIPE (2021), one of major trade associations in the sector, in the early months of the pandemic, more than 90 % of restaurateurs interviewed experienced economic damage because of the pandemic and most had negative expectations for the future.

The COVID-19 shock hit economies around the world hard, with disparate ramifications for different groups (Altig et al. 2020). Afraid of the novel and lethal virus, people radically altered their traveling and shopping behaviors; state-induced health and social distancing requirements forced firms in customer contact-intensive sectors such as hospitality, travel, and the services to close or radically scale down their activities. Commentators soon warned that mass insolvencies were looming. A January 2021 OECD report predicted that, in some sectors of the economy, around a third of all businesses would be struggling to survive as a result of the pandemic (Demmou et al. 2021). Yet soon after the virus first hit, governments around the

1 All translations of sources in languages other than English in this section are by the authors of this chapter.

globe stepped up, devising a range of policy measures to keep businesses afloat. By spring 2021, more than 14 trillion dollars had been globally spent on pandemic relief in the form of loans, direct cash transfers, short-time work programs, or tax credits to businesses (Economist 2021; Tooze 2021).

How does the public perceive and make sense of this simultaneity of existential economic danger and unprecedented government aid to businesses? In this chapter, we explore this question by examining newspaper representations of ‘zombie firms’ in the course of the pandemic. According to definitions offered by economists, a zombie firm is a business that is de facto insolvent but is still artificially ‘kept alive’ by credit and, frequently, by taxpayers’ money (Adalet McGowan et al. 2017; Banerjee and Hofmann 2022; Caballero et al. 2008). In fact, from the perspective of mainstream economics, zombie firms appear as illegitimate in a variety of ways: they are unprofitable, indebted, state-supported, and potentially dangerous because their existence is assumed to negatively affect the economy as a whole. However, when the pandemic hit, these ‘dangerous’ corporate actors were suddenly ubiquitous. Surprisingly, perhaps, before announcing insolvency, Klier, the German barber chain, was labeled a zombie firm in newspaper reports. In Italy, some restaurant chains could be quickly identified as zombies in public discourse.

The notion of the zombie firm, we suggest in the following, is a cultural trope, rich in fictional references to movies, literature, and broader repertoires of popular culture (e.g., Becker et al. 2021; Wald 2008; Lauro 2017b). It affords a powerful distinction between the ‘healthy’ from the ‘sick’ elements of the economy—and this, we argue, explains the political leverage of the metaphor in public discourse during the COVID-19 crisis. We trace the debate around zombie firms during the COVID-19 pandemic in two societies, Germany and Italy. Exploring a corpus of 203 newspaper articles (105 in Germany and 98 in Italy) published in four newspapers in each country between 2020 and 2022, we employ computational social science methods and a supplementary qualitative analysis to examine how this discourse evolved during the pandemic. Our findings reveal that the trope is variously used, from the left and the right, to delineate and negotiate normative ideas about the legitimate relationship between the state and market actors. As a “folk economic” (Swedberg 2018) theme sustained by fictional references, we observe that the zombie firm trope occupies a central place in the political-economic imagination emerging from the COVID-19 pandemic.

The Zombie in Popular Culture

The zombie is a hugely popular figure in mass media and culture. Ever since George A. Romero’s movie *Night of the Living Dead* (1968), a plethora of movies, novels, comics, and video games have been released that feature zombies or are set against the back-

ground of the zombie apocalypse (imagined as a kind of ultimate battle between humans and zombies). AMC's television series *The Walking Dead* (2010–2022) is among the most successful productions of its kind ever released. As a cultural theme, zombies are closely associated with pandemics and viral dangers: they are infected with a mysterious pathogen and are highly contagious, forcing humans into a struggle for survival during which various social pathologies manifest and become apparent—this is the original theme of *Night of the Living Dead* (Molpeceres 2017).

Zombies are part of a broader set of fictional “outbreak narratives” (Wald 2008), stories that revolve around the spread of dangerous ideas or practices that gradually evolve into a full-blown threat to the cohesion of society. Such stories are often charged with racialized connotations. Although the meanings of the zombie trope have dynamically evolved to reflect the particular cultural, social, and political parameters of historical crisis situations, there are some qualities that are specific to it. First, the zombie, more of a human-like figure than other kinds of monsters, is associated with a condition of sickness and physical impairment. A complex pathogen is the source of this disease; therefore, zombies are subject to scientific scrutiny. Second, zombies are imagined as hungry, an “emphasis on consumption, on eating flesh” (David McNally qtd. in de Bruin-Molé 2021, 161) has been a recurring motif in their representations. Zombies are also associated with the idea of cannibalism, which adds the notion of a total loss of self-restraint and control to the association with consumerism. In light of these negative qualities, a dominant theme in the canon is that of zombies as a “killable horde” (de Bruin-Molé 2021, 162) of mindless, soulless creatures that are devoid of individual personality and can justifiably be killed. Scholars argue that the zombie trope has long served as a political delineation of ‘us’ vs. ‘them’—that it has, subconsciously, represented the ‘other’ in the Western, liberal political imagination with its more or less latent claims to colonial and racial superiority (de Bruin-Molé 2021; Lauro 2017a).²

Moreover, the zombie trope has also been applied to capitalist economies. “[T]he zombie,” notes Sarah Juliet Lauro, “has been a very useful figure for thinking through the workings of neoliberalism in our era” (2017a, xiii). Its associations with worker alienation and exploitation, harmful and excessive consumerism, as well as more broadly, with crisis and the breakdown of order in society, make it a powerful symbol in ‘folk economic’ reasoning. In its earliest representations, the theme was associated with slave labor in the context of the Caribbean plantation economy (Lauro 2017a, x). In the meanings that circulated during the first zombie boom following

2 Megen de Bruin-Molé (2021) argues that the zombie theme has become more nuanced, and that next to the “killable horde,” there is also the genre of the “friendly” zombie as the therapy-intensive “chronically ill” person, as well as the most recent type of an uncannily liberated, “mindful consumer.”

George A. Romero's movie in the late 1960s, the themes of worker alienation, passivity, and conformism also occurred. Zombies were a reminder that capitalism inflicts damage on individual subjectivity, producing a workforce of listless, roaming corpses who are estranged from their inner selves. In the wake of the Financial Crisis of 2008, which saw an impressive boom in zombie representations (Drezner 2014), a different, more neoliberal connotation of zombie subjectivity moved to the fore: now, the zombie tends to represent a set of deficiencies on the part of individual or corporate economic actors who are not able to perform well economically, who are seen as enfeebled and unproductive. The disease that afflicts them seems to obstruct them from regaining their innate economic prowess. Zombies hence symbolize a threat to what is perceived as the natural order of the economy.

This arguably constitutes a transition from more left-wing to more right-wing dominant political associations of the trope (for a similar argument, see Vint 2017). In the latter, the idea of a zombie apocalypse as a catastrophic, end-game scenario takes center stage, as “the rise of the zombie metaphor both reflects and reifies collective perceptions of societal breakdown” (Drezner 2014, 839). Although this theme has sometimes also been invoked by public health authorities and disaster communication experts, it has frequently been summoned by the political right to stir distrust in government institutions such as the health care system and law enforcement. In the far right-wing interpretation, the source of this malaise is a kind of societal enfeeblement. In a manner that is reminiscent of Albert Hirschman's (1991) perversity thesis, this framing of the zombie apocalypse scenario regards the welfare state as the cause of moral and societal collapse—social policy, in this imagination, is the source of the zombie disease—and thus resonates well with libertarian rejections of ‘big government.’

The Zombie Firm as Seen by Economists

At a first glance, ‘zombie firm’ appears to be a rather peculiar term that is mostly used by economists. Despite originating in the field of economics, the concept has been used in the mass media. In the decade after 2010, the use of this term in international newspapers and other news outlets has increased by a factor of 12 (see Banerjee and Hofmann 2022, 3). ‘Zombie firm’ refers to a corporate entity, not a natural person. But this does not necessarily lessen the power of the metaphor. We can assume that, as part of a cultural discourse, some characteristics of zombie subjectivity are transferred onto corporate actors.

Economists agree that zombie firms are a problem. They define them as the opposite of ‘healthy’ firms (Andrews and Petroulakis 2019, 1; Caballero et al. 2008, 1943; Adalet McGowan et al. 2017, 3). Zombie firms are regarded to have negative economic effects because they drain resources and investment from healthy firms and thus

harm macroeconomic growth. Their number has increased in the past few decades. According to Ryan Banerjee and Boris Hofmann, the number of zombie firms “rose from about 4 % of all listed firms in the mid-1980s to as many as 15 % in 2017” in fourteen advanced economies (2022, 4). Scholars also concur that the scope and scale of corporate debt, as a phenomenon of macroeconomic concern, has increased over the past few decades.

However, there is disagreement over how to define these firms in the first place: are they merely underperforming in their day-to-day business (in terms of their operating profit); are they indebted and also unable to pay off interest rates; or do they also need to be lowly evaluated on the stock market in order to count as a zombie? Equally important, how long is the time period during which a firm must be in distress in order to count as a zombie? In some definitions, this is not specified, while in others, a measure of two (Banerjee and Hofmann 2022, 6–7) or three (Andrews and Petroulakis 2019, 12) consecutive years of distress is proposed. Evidently, this is a consequential issue, as a firm might perform poorly in one year but thrive in the next. In fact, the (official) number of bankruptcies did not rise during the first two years of the COVID-19 crisis thanks to extensive relief programs (Djankov and Zhang 2021). Moreover, within economic discourse, there is an interesting variation in terms of how the causes of ‘zombification’ are described: while some economists foreground the role of the state as *too generous* via those market actors in this respect (i.e., in the form of too extensive subsidies after the Financial Crisis; see Adalet McGowan et al. 2017), others posit that it is the relative feebleness of state action—hampered by financialization and weak regulation of the banking sector—that drives these processes (Schularick 2021).

In one sense, then, zombies are seen as the ‘bad apples,’ the opposite of good and healthy firms based on a set of individual characteristics; in another, they are viewed as a symptom of a larger process, of a deeper problem that pervades the economy. In combination, these two competing perspectives raise the essentially unresolved question of who is to blame for the zombification of these corporate actors: the state or the market? The discourse around what constitutes healthy firms and a healthy market environment—and what the role of the state should be in securing such an environment—points us to a fundamental tension between a more leftist and a more rightist interpretation of the zombie theme and, in our case, the zombie firm. This difference between left- and right-wing viewpoints likely also informs the media debate on this topic. We therefore take it up as our guiding analytical distinction in the remainder of this chapter.

Comparing the German and the Italian Debates Around Zombie Firms

We study the German and the Italian debate on zombie firms between 2020 and early 2022 comparatively, investigating the representation of the topic in major newspapers of opposite political leaning. When the pandemic hit, both Berlin and Rome launched an impressive set of emergency government aid programs in order to save businesses. They mobilized between 40 % and 50 % of the respective 2019 GDP in fiscal relief to this end, the two most extensive fiscal responses among all OECD members (Anderson et al. 2020; OECD 2020, 27). Notably, the two societies also confronted the economic shock of the pandemic on very different grounds. In 2019, Italy's public debt stood at around 140 % of the GDP, while that of Germany at a mere 60 %.³ As tourism, restaurants, and interpersonal services play a major role in the Italian economy, the country was hit particularly hard by the economic downturn. Germany, with its export-oriented industrial model, was able to weather economic stress much better (OECD 2020). Although estimates differ, the share of zombie firms in the Italian economy was merely slightly larger than in Germany before March 2020.⁴

We are interested in how the relationship between state and economy is variously represented by invoking the zombie firm trope in public discourse, and the comparison of the German and Italian cases provide an especially suitable framework to examine this question. On a discursive level, in these two societies, the legitimate role of the state in the economy is widely assumed to be very different. After the Financial Crisis of 2008, this conversation was dominated by the German *debt hawk* position. In the German political class as well as the public, the image of balanced state accounts (the infamous 'schwarze Null') has long had great political traction (it was closely associated with German leadership in Europe), whereas the discourse about Italy had long revolved around issues of political dysfunctionality,

3 This was, as political economists note, not the outcome of a radically different economic philosophy in each case. It was rather driven by the diverging political-economic pathways since the turn of the millennium: Italy had embarked on a path of accumulated disadvantage because of large public debt obligations inherited from the 1970s (Piattoni and Notermans 2021).

4 Assessments seem to differ depending on the way this phenomenon is measured. According to some estimates, the number of zombie firms declined quite significantly in Italy after 2013 (when around 20 % of listed companies were labeled as zombies (see Rodano and Sette 2019, 13), down to a mere 11 % in 2018 (Schivardi et al. 2020, 574). According to a different estimate, the share was reduced to about 15 % (Schularick 2021, 16). Marco Pelosi, Giacomo Rodano, and Enrico Sette find that, for Italy, "as of 2019, the incidence of zombie firms was at the lowest level in the full 24 years included in our sample" (2021, 11). For our purposes, what matters is that there is evidence that before the onset of the pandemic, the Italian share approximated German levels, where it had remained more or less stable after 2008.

an overblown welfare state, and low productivity. Again, here we target a cultural discourse *about* the economy, not the actual political economic formations, which are, in fact, rather similar in these two societies (Fazi 2021; Piattoni and Notermans 2021).⁵ The juxtaposition of a *frugal* Germany and a *prodigal* Italy, however, constituted the dominant discursive formation in early 2020. We assume that politically left-leaning newspapers invoke the trope of zombie firms to frame state interventions in the economy as necessary and beneficial—in terms of addressing the existential threat to businesses, but also in terms of a broader political project in which the role of the state is favorably seen as actively shaping the economy in the future. By contrast, we suppose that politically right-leaning newspapers use the zombie trope to warn about state intervention as a pernicious driver of the zombification of the economy. They draw on political rhetoric that emphasizes the primacy of ‘natural’ market dynamics over ‘artificial’ state support, and calls for ending pandemic state relief soon.

Method and Data

We used computational text analysis to study newspaper articles as a part of public discourse about zombie firms.⁶ This set of techniques allows to mine text as data to discover patterns between words based on their similarity, structural association, or predictive power (Evans and Aceves 2016, 25; Benoit et al. 2018). We use text analysis to detect underlying patterns and differences in Italian and German newspapers of different political alignments, which inform the qualitative inspection of their content.

To capture a plurality of voices from across the mainstream political spectrum of media outlets in the two countries, we collected articles from major center-right and center-left newspapers in each country (Germany: *Frankfurter Allgemeine Zeitung* and *Die Welt* for the center-right, *Süddeutsche Zeitung* and *Die Zeit* for the center-left; Italy: *Il Giornale* and *Il Corriere della Sera* for the center-right, *La Repubblica* and *Il Fatto Quotidiano* for the center-left). We collected articles published between January 2020 and February 2022 in order to investigate the discourse around zombie firms during the outbreak and evolution of the pandemic. We downloaded articles in that time

5 Italy implemented a range of austerity and budget consolidation measures since the Financial Crisis, hence the Italian model is, in practice, very close to the German one (Piattoni and Notermans 2021, 313).

6 The code with detailed description of our steps is available at <https://doi.org/10.5281/zenodo.10970892>.

range if they included both synonyms of *zombie firms* and synonyms of *covid* in the text.⁷

The final sample (corpus) of selected newspapers comprises 203 newspaper articles: 105 German articles published between February 2020 and February 2022 and 98 Italian articles published between January 2020 and December 2021.⁸

Results

Comparing the Most Distinct Language

In Illustration VII.1 and Illustration VII.2, we explore the main differences in the terms used by right-leaning and left-leaning newspapers in each country separately. We use the keyness technique, which reports the opposite relative frequency of terms found in a target group (right-leaning newspapers) when compared to a reference group (left-leaning newspapers). Keyness relies on the chi-squared test χ^2 as a measure of the likelihood of one term being cited in one group compared to the other group. A χ^2 equal to 0 means there is no difference in the frequency of that term between groups, positive values mean the term is more likely to be used by right-leaning newspapers than left-leaning, while negative values mean that the term is more frequently used by left-leaning newspapers. Illustration VII.1 shows the results of keyness on the corpus level (using the entire set of articles as the source of analysis), which allows to detect the general differences between right-leaning and left-leaning newspapers in terms of their discourse. Illustration VII.2 reports sentence-level keyness, narrowing down the analysis to sentences that mention terms related to zombie firms,⁹ so as to highlight differences between newspapers' alignments when the precise concept is taken into account.

At first glance, these analyses reveal some general differences. Right-leaning newspapers in both countries are more likely to mention economic aspects of a debt relationship (DE: overindebtedness: *Überschuldung*, suspension [of obligations]: *Aussetzung*; IT: industrial crisis: *crisi aziendali*, relaunch: *rilancio*) or political-economic actors involved (DE: *Deutsche Bank*, eurozone: *Euro-zone*; IT: [*giancarlo*] *giorgetti*,

7 We extended the keyword search to include the term '*Insolvenzantragspflicht*' for Germany and synonyms of firms subject to '*decozione*' for Italy (broadly, legal practices related to insolvency claims), which may relate to the zombie firm topic. For collection of data and data management, see the code.

8 German composition: *Frankfurter Allgemeine Zeitung*: 42, *Die Welt*: 28, *Süddeutsche Zeitung*: 26, *Die Zeit*: 9; Italian composition: *Il Giornale*: 6, *Il Corriere della Sera*: 44, *La Repubblica*: 32, *Il Fatto Quotidiano*: 16.

9 For details on data cleaning, dealing with synonymous, and further methodological choices that affect the analysis, see notes in code.

i.e., the minister of economics, state: *stato*). German left-leaning papers tend to use terms relating to the labor market such as ‘short-time work’ (*Kurzarbeit*), ‘employees’ (*Beschäftigte*), and ‘unemployment’ (*Arbeitslosigkeit*). Italian left-leaning newspapers cite consequences of the crisis such as ‘inflation’ (*inflazione*) and groups that are affected (families: *famiglie*), along with examples of struggling firms (*Alitalia, Ama*) (Illustration VII.1).

Illustration VII.1: Keynes analysis, corpus level

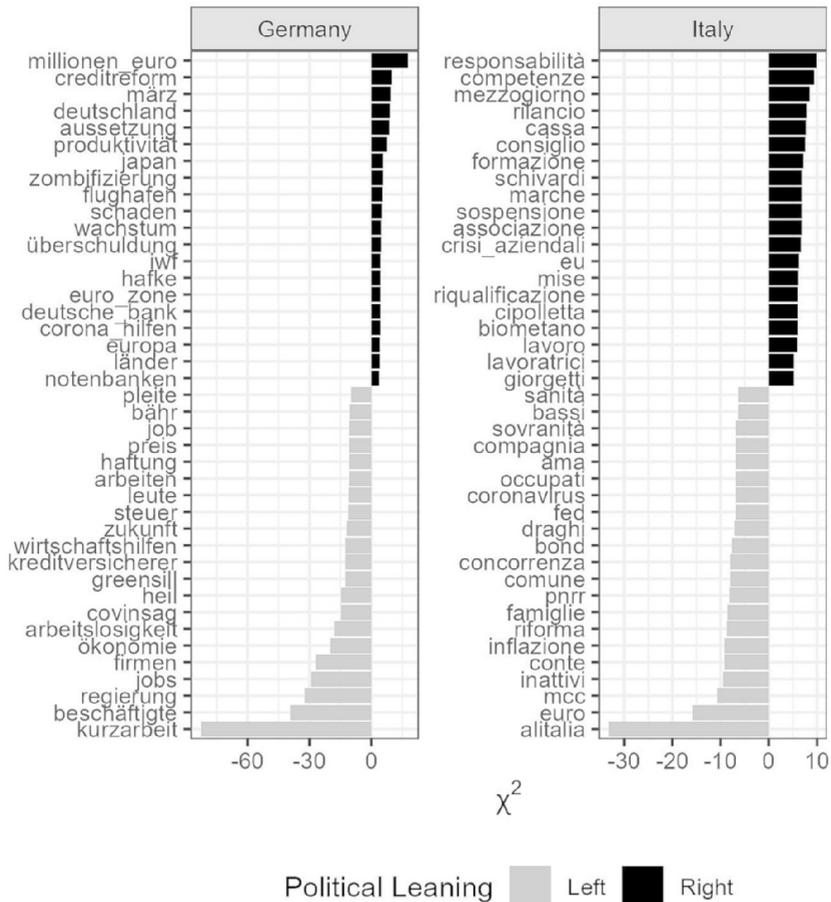


Illustration by the authors of this chapter.

Illustration VII.2: Keyness analysis, sentence level (including synonyms of zombie firm)

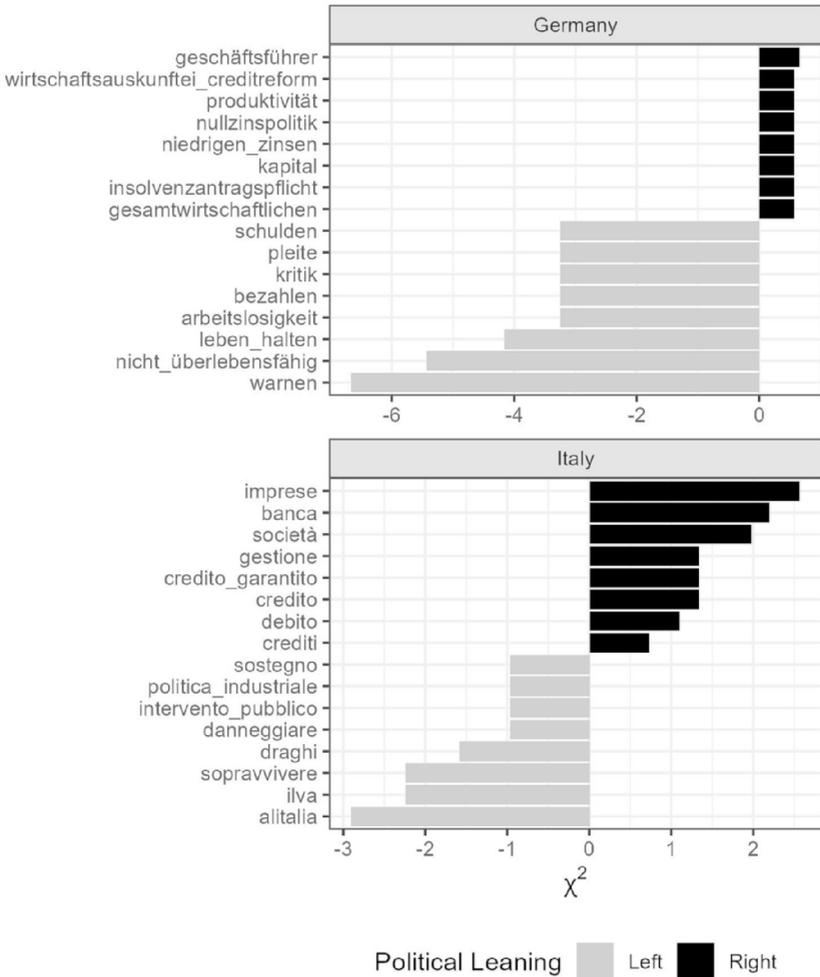


Illustration by the authors of this chapter.

Sentence-level keyness (Illustration VII.2) seems to confirm most of these differences. In the right-leaning media, zombie firms are more likely to be associated with a language of credit and debt, such as ‘zero-interest rate policy’ (*Nullzinspolitik*), ‘low interest rates’ (*Niedrige Zinsen*), ‘requirement to file for insolvency’ (*Insolvenzantragspflicht*). Left-leaning newspapers, instead, stress the condition of zombie firms as not being able to survive on their own (*Nicht_Überlebensfähig*) and associate them with unemployment (*Arbeitslosigkeit*) and debts (*Schulden*). Similar to their German counterparts, Italian right-leaning newspapers associate zombie firms with

words related to credit such as ‘guaranteed credit’ (*credito_garantito*), ‘debt’ (*debito*), and ‘bank’ (*banca*). Italian left-leaning newspapers, by contrast, are more likely to cite topics of public debate as public intervention (*intervento_publico*) and industrial policy (*politica_industriale*), along with political actors such as Mario Draghi (*draghi*) and names of specific problematic firms.

Exploring the Semantic Environment of Zombie Firms

Keynes analyses can reveal differences in the distinct language of articles compared, but do not provide information on the meaning of words in context. To address this point, we present a co-occurrence analysis of left-leaning and right-leaning newspaper articles in each country (Illustration VII.3 and Illustration VII.4).¹⁰ We report the co-occurrences as a network graph. Each node is a word whose size represents its degree, i.e., the total amount of co-occurrences it receives, which we take as an indicator of its semantic importance. The link between two words represents their co-occurrence, and the thickness of the link reflects the number of times the co-occurrence happens (the more often the co-occurrence, the thicker the link).

In the German network of co-occurrences (Illustration VII.3), ‘zombie firms,’ ‘coronavirus crisis’ (*Corona-Krise*), and ‘companies’ (*Unternehmen*) are among the most frequently co-occurring terms in both political domains. However, financial terms such as ‘insolvency’ (*Insolvenz*) and ‘economy’ (*Wirtschaft*) are characterized by greater centrality in right-leaning than in left-leaning newspapers, together with more monetary economic terms such as ‘risk’ (*Risiko*) and ‘danger’ (*Gefahr*) or ‘European Central Bank’ (*Europäische_Zentralbank*). For left-leaning newspapers, the top terms concern policies that aim to mitigate the crisis. Policy actors such as ‘government’ (*Regierung*) and ‘federal government’ (*Bundesregierung*) occur more often, and in connection to intervention measures such as ‘short-time work’ (*Kurzarbeit*) and ‘short-time work allowances’ (*Kurzarbeitergeld*). The rank of interests of the two political alignments is highlighted by the difference between the words *Insolvenz* and *Kurzarbeit*: they occur in both networks, but the former with higher weight in the right-leaning newspapers and minimal weight in left-leaning newspapers, and, by contrast, the latter with higher weight in left-leaning newspapers and much smaller weight in right-leaning newspapers.

10 This analysis counts the terms that appear together either in an article or in a specified window around a single term. Here, we compute co-occurrences within a twenty-word window (taking into account twenty words on the left and twenty on the right, hence considering a total of forty words), which we considered as enough for a semantic unit. For the sake of simplicity in visualizing our results, we report the top 21 words for each unit. We considered this choice the best trade-off between clarity and comprehensiveness to show semantic patterns of the most important terms.

Illustration VII.4: Co-occurrences forty-word window Italy

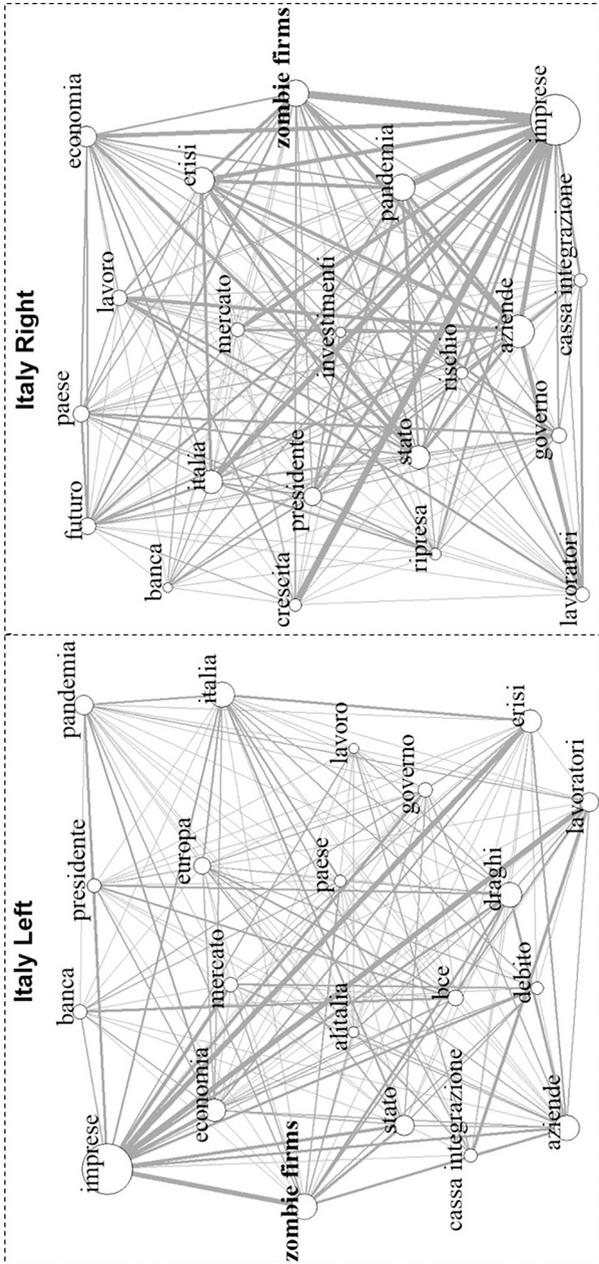


Illustration by the authors of this chapter.

In the Italian network (Illustration VII.4), right- and left-leaning articles align more strongly in terms of the language they use than expected. For instance, ‘firms’ (*imprese*), ‘organizations’ (*aziende*), and (economic and job) market (‘market’; *mercato*) score high in both political domains, followed by ‘crisis’ (*crisi*), ‘pandemic’ (*pandemia*) and ‘Italy’ (*Italia*). On both sides ‘layoff payments’ (*cassa integrazione*), an instrument similar to *Kurzarbeit*, has high co-occurrence scores and is connected to the word ‘workers’ (*lavoratori*). However, these terms appear to be more tightly inter-linked in right-leaning newspapers with words such as ‘growth’ (*crescita*), ‘recovery’ (*ripresa*) and ‘risk’ (*rischio*), together with governance actors as the ‘state’ (*stato*), ‘president’ (*presidente*), and ‘country’ (*paese*). Observations from left-leaning newspapers align with results from Illustration VII.2, showing higher co-occurrences for names of struggling industries acting as zombie firms (*Alitalia*) together with terms of the political landscape at the national level, such as Mario Draghi (*draghi*) and the ‘government’ (*governo*), and at the European level, such as ‘Europe’ (*europa*) and ‘European Central Bank’ (*bce*).

These analyses confirm our earlier findings. The language found in right-leaning newspapers is more closely associated with issues of debt and credit in both countries; institutional actors are more likely to be cited by German left-leaning and Italian right-leaning newspapers; the left-leaning framing in both countries tends to foreground specific actors who suffer from the shock, like workers, families, and policies that seek to cushion the crisis’ detrimental effects.

Tracing the Qualitative Discourses on Zombie Firms

In the next step, we move from the quantitative approach to the qualitative analysis of the corpus to investigate patterns we found in more depth, and detect nuances that might have been overlooked in the frequentist approach of descriptive text statistics. To do so, we use the top terms generated in the text statistics described above to identify relevant passages in newspaper articles. We qualitatively analyze the newspaper articles according to how the term *zombie firms* is used and what kind of arguments about the role of the state in the economy are advanced.¹¹

In the German papers, early on in the pandemic, the zombie firms theme appears together with dire warnings about the state of the economy. Some commentators point out that the underlying problem—the cheap availability of credit (*Nulzinspolitik*)—had existed already before the pandemic, but that the pandemic state aid aggravated the situation because it provided massive liquidity and has relaxed the rules according to which unproductive firms are forced to exit the market. The diagnosis that there are ‘unhealthy’ firms in the economy that suck off resources is,

11 Translations presented in this section were created using DeepL and cross-checked by the authors of this chapter.

in fact, advanced both by right-leaning and by left-leaning newspapers in the first few months of the pandemic.

A recurring theme in conservative German papers is to portray the suspension of 'the requirement to file for insolvency' (*Insolvenzantragspflicht*) as the main cause of a massive proliferation of zombie firms. For example, in an August 2020 report in *Die Welt*, economist Patrick-Ludwigh Hantzsch notes, "The government nourishes zombie firms. [...] These undead are putting the entire economy at risk. [...] While interest rate zombies are kept alive by cheap credit, this 'new species' manages to survive only thanks to legal exceptions" (qtd. in Dierig et al. 2020).

Left-leaning papers, while initially striking a similar tone, soon begin to criticize and reject the trope. This, as it becomes evident from the qualitative analysis, is linked to their defense of 'short-time work' (*Kurzarbeit*) as a successful, economically rational tool to cushion the pandemic shock in the German labor market. As the *Süddeutsche Zeitung* notes in January 2022, "The crisis management of the former government has worked. Employees notice that the short-time work program was a success. It was expensive, but it has saved jobs. Does anyone still remember the warnings about how short-time work would fatten zombie firms and that a wave of bankruptcies would soon sweep the country? It has proven to be a myth of market liberals who condemn any kind of crisis politics" (Hagelücken 2022). Like other articles that reject the zombie firms theme, the critique of the myth of nourishing zombie firms is a defense of active state intervention in response to the crisis. For left-leaning newspapers, the fact that the number of insolvencies has not substantially risen (by early 2022) is a fact that the warnings were wrong. Right-leaning commentators, for their part, continue to argue that the number of insolvencies has remained low only because the real extent of financial difficulties has merely been concealed by generous state spending (invoking the cultural theme that zombies must be disclosed, using the tool of insolvency regulations), thus calling for a reduction of the activities of the state in the economy and for allowing for the 'purification' of the market to proceed.

The discourse of Italian newspapers revolves mainly around state interventions, in particular 'payroll subsidies' (*cassa_integrazione*). At the beginning of the pandemic, there is a general consensus about the need for state intervention to avoid the proliferation of bankruptcies. However, by 2021, most newspapers point out that state relief programs have in fact created a condition of dependency that will likely cause 'unhealthy' firms to collapse once the funding runs out. As the argument goes, this will not only reveal pre-existing zombie firms but also generate new ones. Similar to their German counterparts, most Italian right-leaning papers stress that zombie firms survive only due to the supply of credit by the government (which in fact also covers old, pre-pandemic debts) and pledge for a return to 'free' market dynamics that regulate through mechanisms of competition and purification the market independent of state intervention. As *Corriere della Sera* notes in December

2020: “This year, bankruptcies halved compared to 2019. [...] Only in the next few months will we begin to understand how many of the firms held up in 2020 are not dead, but they are not even alive. They are zombies: unable to generate the cash needed to keep going; kept alive only through a continuous flow of government-guaranteed credit to repay old debts or through moratoriums on repayments to be made to banks, government refinancing, or ever new waves of layoffs” (Fubini 2020).

A frequently cited topic is the set of recommendations of the Group of Thirty (G30) led by Mario Draghi and Raghuram Rajan, who argue that there is a need to continue state support after the pandemic on a global level, but to limit it to firms that are classified as capable of surviving. The recommendation to promote policies aligning to “digitalization, environmental sustainability, or the promotion of new or strategic industries” (Group of Thirty 2020, 4) is closely related to visions about the new economy and the “corporate welfare” of firms (Confindustria president Carlo Bonomi qtd. in Mania 2021). In this respect, the discourse is similar to some voices in the German discourse about the crisis as a “transformative recession,” which envisions new corporate models rooted in “digitalization” and an “ecological restructuring of society” (Fitzenberger and Walwei 2020).

However, in the Italian debate, different positions emerge as far as the criteria for allocation of funds and the role of the state are concerned. One salient trope in this regard is introduced by Mario Draghi, who distinguishes between *good debt* (*debito buono*) and *bad debt* (*debito cattivo*).¹² While the former refers to investments that lead to a constructive renewal of the market and a firm’s solvency in the future, the latter is seen as a waste of money, a situation of stagnation and prolonged indebtedness. Right-leaning newspapers reject this position, as it would imply a “selective use” (economist Marcello Messeri qtd. in Di Vico 2020) of debt by the state, which can then decide on whom to fund. The criticism is to limit the independence of firms that cannot count on debt capital—i.e., access to external loans when required—to support their own functioning (Di Vico 2020).

Left-leaning newspapers show less cohesive positions. They recognize the need for state interventions such as layoff payments (*cassa_integrazione*) at the beginning of the pandemic, but some commentators are skeptical about their efficacy in the long run, pointing out that the recovery programs have created a condition of dependency. Similar to their right-leaning counterparts, they express a fear that the number of zombie firms will only grow in the future, arguing that the pandemic state aid programs may have also concealed those zombie firms that had already existed before the pandemic. However, they are less concerned with the relation of zombie firms to credit or the banking sector and rather portray zombie firms as a

12 To the best of our knowledge, the first mention was at the Rimini Meeting in August 2020 (Euractiv 2020).

general result of the inefficiency of the state in providing support. When it comes to future scenarios and the recommendations of the Group of Thirty, the differences are most evident, in particular after the appointment of Mario Draghi as Prime Minister of Italy. Unlike right-leaning media commentators, they seem to embrace the need for state intervention, and in particular the need to allocate credit based on the likelihood of firms to survive. Alessandro Bombassei, the president of Brembo automotive industry, summarizes this position in a nutshell in an interview with *La Repubblica* in February 2021: “Unemployment benefits and citizenship income are band-aids, not a long-term cure. I believe that the government will find the solution to produce the least social impact possible. [...] It’s pointless to continue subsidizing companies that have no future, you need to direct funds and investments to promising sectors and productive companies” (qtd. in Pons 2021).

Overall, our results show how the zombie firm trope accompanies not only debates about credit and the financial sector but also about the involvement of the state in the economic landscape, revealing different political alignments in public opinion. While right-leaning newspapers in both countries use the zombie theme to articulate pledges for freedom of the market from state intervention, left-leaning newspapers are more prone to embrace such measures but differ with regard to how much confidence they have in their efficiency.

Conclusion and Outlook

In this chapter, we have examined discourses around zombie firms in Italian and German newspapers during the first two years of the COVID-19 pandemic. In a situation in which many businesses—in particular, small businesses and the self-employed—faced an existential struggle for economic survival, there was a widespread need for making sense of the causes and the consequences of the crisis and state interventions (Boin and ‘t Hart 2022). The zombie theme is one important symbolic and affective ‘folk economic’ trope that has a prominent place and a rich history in the critique of neoliberal subjectivity and global, crisis-ridden capitalism. Here, we focused on a shift in the meaning of the zombie metaphor that makes it increasingly amenable to conservative positions. We have analyzed discursive representations of firms that are seen as undergoing a process of zombification, or already recognized as a zombie, and that are ‘artificially’ kept alive by state support—a discourse that separates ‘healthy’ from ‘unhealthy’ market actors (Caballero et al. 2008; Adaya McGowan et al. 2017).

We could see that a lively debate about zombie firms—and, connected to this theme, about the gloomy prospect of mass insolvencies of businesses during the pandemic—exists in the Italian and German public spheres. However, depending on political alignments, the theme can be invoked in different ways: right-leaning and

conservative newspapers tend to portray zombie firms as a problem of debt relationships as well as one of excessive government activity in the economy; left-leaning and more progressive voices are more inclined to defend fiscal and social policies intended to help struggling businesses (and, by extension, workers and vulnerable groups in society) against these changes.

Notably, the differences between the Italian and the German discourse are not as stark as one might expect, which contradicts the assumption that German commentators would be more strongly concerned with problematizing the negative effects of state and corporate debt. While right-leaning newspapers in the two countries similarly connect zombie firms to the issues of credit and industrial production, the differences between left-leaning newspapers are more evident. The critical discussion and rejection of the zombie firm trope and the positive reference to state intervention (see *Kurzarbeit*) is somewhat more pronounced in the German than in the Italian left-leaning media. Italian left-leaning newspapers reject state intervention to a lesser degree than their right-leaning counterparts but are still skeptical as far as the efficiency of public aid in the long term is concerned. Zombie firms are seen as an outcome of unsuccessful state intervention rather than as a structural and inevitable effect of excessive state intervention, as in right-leaning interpretations. Despite this difference, they also tend to foreground the issue of credit, somewhat similar to right-leaning newspapers. On these grounds, we agree with scholars who argue that it is high time to move beyond persistent clichés about the contrasting role of Italy and Germany in the architecture of the European political economy (Fazi 2021; Piattoni and Notermans 2021). Our comparative analysis of zombie firm discourse is one step in this direction.

The zombie firm theme, as it became apparent from our empirical analysis of newspaper articles, is a predominantly conservative fictional representation of economic processes. This is, first, because it is rooted in the idea that zombies are greedy, cannibalistic, and contagious (de Bruin-Molé 2021)—they endanger other market actors around them, thereby threatening to drag down the economy as a whole (Adalet McGowan et al. 2017)—and, second, because of their close association with debt and indebtedness as a condition of economic dependency. Literary scholar Fred Botting (2013) argues that the figure of the zombie perfectly institutes the debt-relation in neoliberal societies: in contrast to the figure of the vampire, which symbolizes booming credit markets and consumer subjectivity, the zombie connotes debt, stagnation, and the state of being deprived of agency. And this fictional representation is, in fact, related to actual power relations in society. Forms of structural power (Hacker and Pierson 2002; Lindblom 1977) grant large companies an influential market position. Large firms' bankruptcies can have macroeconomic consequences such as rising unemployment and spillover effects on dependent industries. On these grounds, it is considerably easier for larger companies to obtain credit from stakeholders. Conversely, in what they call "the great debt divergence,"

political economists Joseph Baines and Sandy Brian Hager observe that small firms have, since around the 1970s, been increasingly at a disadvantage when it comes to access to credit; and that their debt servicing burden has simultaneously increased (2021, 893).¹³ A firm's position in a given political economy of debt, then, is a major factor in determining its economic prospects.

In the context of the historically unprecedented pandemic state aid programs in Germany and Italy, the zombie firm theme can serve as a powerful symbolic tool to cast doubt on the legitimacy of certain forms of economic and social policy (such as short-time work programs). In this sense, it can function as a compelling cultural logic invoked by market-liberal commentators and policy makers to warn against the dangers of an active, interventionist state. But the zombie theme can also be used, as we have shown, to introduce a discussion about the necessary transformations of firms in a changing economic environment, of defining sustainable (for instance, green or digital) business models. This is one way in which it is also invoked by more leftist commentators, and this logic also undergirds more future-oriented, positively charged ideas about struggling firms, such as Mario Draghi's differentiation between good and bad debt.

The problem of zombie firms is not going to go away anytime soon. In light of the recent inflation and energy crisis and the contraction of growth in large parts of the world, zombie firms may well continue to linger among us—both as a material reality and as a powerful metaphor that shapes economic reasoning.

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13 Indeed, in our analysis left-leaning newspapers in both countries pointed out cases where small businesses did not have access to public support because the funds had been drained out by large companies that governments could not let close, such as Galeria Karstadt Kaufhof in Germany (Busse 2021) and Ilva and Alitalia in Italy (FQ. 2021; Di Foggia 2020). For the Italian case, authors stress how their status of zombie firms goes back to time before COVID-19 (Di Foggia 2020).

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